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G R Evans
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April 19, 1993

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ex Parte

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

Re: CC. Dkts. 91-141 and 92-222

Dear Ms. Searcy:

Today, Frank Gumper and I, representing the NYNEX Telephone Companies (NTCs), met with Linda Oliver, Legal Assistant to Commissioner Duggan, regarding the item captioned above. In a separate meeting in this matter, we also met with Roxanne McElvane, Legal Assistant to Commissioner Barrett. The discussion was based on information contained in the attached and on positions put forth by the NTCs in their Emergency Petition for Waiver.

Questions regarding this matter should be directed to me at the number or address shown above.

Sincerely,

Don Evans

Attachment

cc: R. McElvane
L. Oliver

NYNEX Government Affairs
1828 L Street N.W. Suite 1000 Washington DC 20036

Kenneth Rust
Director
Federal Regulatory Matters

NYNEX

April 16, 1993

Ex Parte

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M. Street N.W.
Room 222
Washington, D.C. 20554

RE: CC Docket Nos. 91-141 and 92-222

Dear Ms. Searcy:

The NYNEX Telephone Companies ("NTCs") are filing this *ex parte* letter to provide the Commission with updated information about the extent of competition in the market for local exchange access service in New York and about New York Telephone's experience under its interim interstate expanded interconnection tariff. Because the NTCs have had the most experience with expanded interconnection in both the state and interstate jurisdictions, the data about the market shares of the competitive access providers ("CAPs") in the NYNEX region provide important information about the ability of the CAPs to take advantage of expanded interconnection and about the need for the Commission to give the local exchange carriers additional pricing flexibility.

In their Emergency Petition for Waiver, filed November 10, 1992, the NTCs demonstrated that the CAPs had achieved a remarkably large share of the New York state private line market using the physical collocation tariffs that had become effective in May, 1991. However, that data included CAP High Capacity connections to FlexPath ports, which are switched services. To provide a more accurate picture of the CAP market share, the NTCs have developed a study which compares the number of DS1 office channel terminations ("OCTs"), excluding the connections to FlexPath ports, that the CAPs have purchased under the state expanded interconnection tariff to the number of NYT's state DS1 High Capacity private line and access service channel terminations. This study assumes that the CAPs compete for traffic from the end office to either interexchange carrier points of presence or to end user locations. The attached market share analysis shows that, as of March 1993, the CAPs had 42 percent of the market for state DS1 High Capacity channel terminations in the New York metro LATA.[1] These data confirm the fact that the CAPs have been very successful in using expanded interconnection to compete for state private line and special access services.

The attached graph compares the total number of DS1 OCTs (excluding FlexPath) that the CAPs have purchased in the state jurisdiction to the number of DS1 OCTs that the CAPs have purchased, or have ordered, under the interim interstate expanded interconnection tariffs in New York. This shows that the number of interstate OCTs surpassed the number of state OCTs in little over a month after the interstate tariff became effective. Including the pending orders, the OCTs represent 9.3 percent of the interstate DS1 channel termination market in the New York metro LATA and they represent 12.5 percent of the DS1 channel terminations in the offices where the CAPs are collocated. Moreover, the rate of increase in the interstate jurisdiction shows that the CAPs are likely to achieve market share gains much more quickly in the interstate jurisdiction.

These data support two points. First, it is clear that the NTCs' expanded interconnection tariffs provide the CAPs with a quite effective means of competing for Special Access services. This negates the claims of certain CAPs that the NTCs' interstate expanded interconnection tariffs are designed to impede competition. Second, the Commission should not delay any longer in granting the NTCs' November 10, 1992 request for waiver to file tariffs that would (1) reallocate general support facilities ("GSF") expenses; and (2) implement zone density pricing. The rapid increase in CAP market share is due, in part, to the fact that the NTCs' Special Access rates are well above cost because they reflect study area average costs and excessive allocations of GSF costs. The NTCs cannot compete while handicapped with these uneconomic rates.

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1 The data also show that the CAPs had 58 percent of the market for High Capacity channel terminations in the offices where they were collocated. However, the NTCs believe that this figure overstates the CAP market share, because it excludes NYT circuits that are connected from those offices through interoffice facilities to channel terminations in other offices in the New York metro LATA. On the other hand, the 42 percent share tends to understate the CAP market share because it includes NYT circuits that are not connected in any way to offices where the CAPs are collocated. The true impact of CAP competition probably lies somewhere between the 42 percent and 58 percent figures.

The Commission recently enhanced the ability of the CAPs to take advantage of expanded interconnection by granting Teleport's request for a waiver to connect switched traffic to its collocated premises under existing contracts, and it extended this waiver to all similarly situated CAPs. Equity requires that the Commission grant the NTCs' waiver as well so that all parties will have a reasonable opportunity to compete.

Very truly yours,

Attachment

cc: J. Schlichting
G. Vogt
C. Boothby
R. Milkman
N. Bell
D. Sieradzki
D. Slotten
K. Abernathy
R. Branson
L. Oliver

JD:4703k

MARKET SHARE ANALYSIS

IMPACT OF COLLOCATION ON STATE CTs TO POP:

		OFFICES W/CAGES	LATA 132
1)	CURRENT INVENTORY OF STATE CTs (XUN1X):		
	.FROM CABS BILLING	162	234
	.FROM CRIS BILLING	180	292
	TOTAL	342	526
2)	INVENTORY OF STATE COLLOCATION CHARGES		
	(I.E. "SAC" CHARGES)	141	141
3)	ASSUME EACH 'SAC' DISPLACED A CT (XUN1X).		
	THEN, COUNT OF CTs BEFORE COLLOCATION		
	WOULD HAVE BEEN	483	667
	(ASSUMES NO GROWTH OR LOSS OF CTs OTHERWISE)		
4)	ASSUME ALL CTs WERE ASSOCIATED WITH		
	2 POINT CIRCUIT,THEN, HALF OF CTs WOULD BE		
	ASSOCIATED WITH 'POP' END	242	334
5)	CURRENT COUNT OF 141 SACs OVER THE		
	# OF 'POP' END CTs EQUATES TO THE		
	PERCENT DISPLACED	58%	42%

NEW YORK TELEPHONE
OFFICE CHANNEL TERMINATIONS